



Defence  
Business  
Services

## **Armed Forces Pension Scheme III Health Tier Assessment Fact Sheet**

This fact sheet is intended to provide useful information regarding the different Tier assessments given by the Armed Forces Pension Scheme. The information given relates to entitlement under both AFPS 2005 and AFPS 2015.

If you leave the Armed Forces early due to ill-health or injury, then you may be entitled to ill-health benefits. Early retirement due to ill-health means you may be able to take your pension benefits early to help support you financially. The type of benefits you will receive are dependent upon your individual circumstance and the degree of disability. You will only be entitled to receive an ill-health award if you have completed at least two years qualifying service.

### **Background**

The ill health benefits which are payable are determined by the level of Tier awarded by the AFPS. The Tier is based on the level of disablement at Service Termination, and this takes into account a member's ability to achieve full-time employment in the civilian world until Normal Retirement Age<sup>1</sup>. This is known as the test of continuance.

### **How many Tiers are there?**

There are three Tiers of entitlement. We have provided more information on these below.

#### **Tier 1**

A Tier 1 award provides a tax-free lump sum on discharge, and a deferred pension payable at State Pension Age for AFPS 2015, or age 65 for AFPS 2005.

If you have passed the Early Departure Payment (EDP) point, you will receive an EDP lump sum and monthly income payments instead. You cannot receive both an EDP and a Tier 1 lump sum.

A Tier 1 lump sum is calculated as 1/8<sup>th</sup> of your final pensionable earnings (the highest 365 consecutive days in the last three years). This figure is then multiplied by the number of years of Service in AFPS 2005 and/or AFPS 2015. Where the Tier 1 lump sum calculation produces a figure which is greater than two years of final pensionable earnings, the award is capped at two years. Where the calculation produces an award which is less than six months of final pensionable earnings, the award is rounded up to equal six months' pay.

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<sup>1</sup> Normal Retirement age for AFPS 2015 is age 60, for AFPS 2005 this is age 55 and for RFPS 2005 this is age 60. For those on Full Time Reserve Service (FTRS), this is the Termination End Date.

## **Tier 2 & 3**

A Tier 2 or 3 award provides an ill health pension income for the rest of the member's lifetime. Under AFPS 2005, a member will also receive a lump sum of 3 times the value of the ill health pension. Under AFPS 2015, there is no automatic entitlement to a lump sum.

A Tier 2 award may include an enhancement of up to 1/3<sup>rd</sup> of lost Service, from the date after your discharge, up until your expected retirement or Normal Retirement Age.

A Tier 3 award may include an enhancement of up to ½ of lost Service, from the date after your discharge, up until your expected retirement or Normal Retirement Age. The pension will be based on a minimum service level<sup>2</sup>

### **When is a Tier 1 payable?**

A Tier 1 is awarded when we consider that, although you are no longer able to continue with your Military career due to illness or injury, we do not consider you to have a significant disability which would affect your ability to work elsewhere. It may be that your illness or injury is currently causing you pain or discomfort, and this is preventing you from working. However, if your condition is likely to improve over time when you are no longer working in a Military environment, then the test of continuance may not be demonstrated. This may mean you are assessed as a Tier 1. Likewise, you may also still be undergoing treatment for your condition, and the long-term prognosis is not yet established.

### **When is a Tier 2 or Tier 3 payable?**

To qualify for a Tier 2 or Tier 3 award, the medical evidence and likely prognosis of your condition must support the continuance of functional limitations which affect your ability to work elsewhere up until the age when your Service Pension would normally have been payable.

A Tier 2 is awarded when we consider that although you are no longer able to continue with your Military career due to illness or injury, we also accept that you have significant functional restrictions which are likely to have an effect on your ability to work elsewhere.

A Tier 3 award is made for the most serious conditions and is granted if you are deemed to have suffered a permanent breakdown in health involving incapacity for any gainful full-time employment.

### **How we reach a decision on the level of Tier entitlement**

When assessing the level of Tier entitlement, we will review the member's Medical Board Report which documents the nature of the illness or injury. We will also review a member's electronic medical records for up-to-date medical evidence recorded since

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<sup>2</sup> For AFPS 2015 this is 25 years, and for AFPS 2005 this is 20 years.

the date of the Medical Board. We may also seek medical opinion on Occupational Health issues from our own Medical Advisors.

The focus is on civilian employability, and not Military employability. The Armed Forces are an example of a selected population which is fitter than the equivalent civilian population. Military employability requires higher physical and mental standards than civilian employability (i.e. people can be and are downgraded and excluded from Military work, where they may be perfectly capable of undertaking appropriate civilian work). The civilian workplace is also covered by the Equality Act 2010, and this addresses issues such as access-work station design and work patterns etc. Although someone may no longer be able to continue in Military employment, this does not necessarily exclude them from civilian employment.

At the point of medical discharge, the AFPS rules require us to make an assessment which is based on functional restrictions to paid civilian employment. This is not just assessing a member's functional ability at the point of discharge, but we must look at this over a person's working life. The AFPS is unable to make interim awards and we must assess a person taking into account the progress and improvement they have made up to the point of Service Termination, and the likely improvement they may make over time.

### **What happens if I receive a Tier 1 lump sum on discharge, and I subsequently qualify for a Tier 2 or Tier 3 Ill Health pension?**

Any Tier 1 lump sum originally paid on discharge from the AFPS 2005 and AFPS 2015 schemes **must** be paid back. This is because you cannot receive two separate ill health benefits from the scheme. This lump sum must be repaid in full before any Tier 2 or Tier 3 pensions will be paid. This may result in you not receiving your Tier 2 or Tier 3 income until the total Tier 1 lump sum/s have been recovered.

A Tier 2 or Tier 3 ill health benefit also extinguishes the entitlement to a service pension at State Pension Age or Normal Scheme Age for a deferred pension.<sup>3</sup>

### **What happens if I receive a Guaranteed Income Payment (GIP) from the Armed Forces Compensation Scheme (AFCS)?**

If you receive a GIP from the AFCS, the level of GIP payable is adjusted to take into account any Armed Forces Pension Scheme income streams. If you are receiving an AFPS pension at the point of discharge, any GIP awarded should already have been adjusted.

### **What happens if I already receive a Guaranteed Income Payment (GIP) from the Armed Forces Compensation Scheme (AFCS) and my AFPS Tier changes from Tier 1, to Tier 2 or Tier 3?**

The full annual value of your AFPS Ill Health pension will be deducted from your GIP. This may wipe out your entitlement to a GIP if the annual ill health income from the AFPS is greater than the GIP. In this scenario, it is likely you will be in an overpayment situation. The AFCS will seek to recover any amount of overpaid GIP. If the annual ill health income from AFPS is less than the GIP, the amount of AFPS pension will be deducted from the GIP and this will result in an overpayment of GIP which will be recovered by the AFCS.

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<sup>3</sup> For AFPS 2015 the deferred pension age is the same as State Pension Age. For AFPS 2005, this is age 65.

If your AFPS Tier changes, you should contact Veterans UK to ensure the level of GIP payable is correctly re-adjusted. Further information about when to contact us can be found on gov.uk here [Tell us about a change in circumstances](#). Overpayment recovery will take place in line with government guidelines if a GIP has been overpaid.

### **What do I do if I am unhappy with the Tier decision that has been made?**

You have the right to appeal our Tier decision, if you feel we have made an incorrect assessment of the level of functional limitations caused by your injury/illness, and you can appeal under the Internal Disputes Resolution Procedures (IDRP).

You should write to us stating your reasons for appealing. Where possible, you should also provide us with further medical evidence or information to support your appeal.

### **What happens during my appeal?**

An appeal is assessed against the same set of criteria used in the initial assessment, and the medical evidence is used to determine the long-term prognosis of your injury or illness, and how this affects your functional ability to work in a civilian role. The evidence must support a likely continuance of limitations having an impact until Normal Pension Age (see Note 1).

We may seek medical evidence from your civilian healthcare practitioners to obtain an up-to-date picture of your condition/s and your state of health. We may also obtain medical opinion from our own Medical Advisors.

Your appeal will be fully considered by a Deciding Officer, and you will be notified in writing of the outcome.

Further information about the ill health IDRP process can be found on .gov.uk here [AFPS – Customer Journey Maps](#)

### **What happens if my condition/s deteriorate after my discharge?**

A Tier assessment reflects the likely prognosis of a condition. However, if your condition deteriorates in an unexpected way, you have the right to ask for a review of your Tier assessment within the first five years from the anniversary of your discharge date. A Tier review will require you to supply up to date medical evidence which supports your claim.

A successful review may result in you receiving a revised Tier 2 award, which will be back dated to when you left service. If your deterioration results in an increase from Tier 2 to a Tier 3, this may be from the date of accepted worsening. However, if you have received a Tier 1 under AFPS 05 or AFPS 15 scheme, and you subsequently qualify for an ill health Tier 2 or Tier 3 pension, the **Tier 1 lump sum/s must be repaid in full**.

Whilst an ill health pension from AFPS 2005 has an automatic entitlement to a lump sum of three times the value of pension, there is no automatic pension lump sum from AFPS 2015. It is likely that the new Tier 2 or Tier 3 pension lump sum from AFPS 2005 will not be as much as the Tier 1 lump sum/s previously paid, and this is likely to result in you being in an overpayment position.

Further information about the ill health review process can be found on .gov.uk here [AFPS – Customer Journey Maps](#)

### **What happens if I receive a GIP and my AFPS Deferred Pension income comes into payment?**

If you receive a GIP and your AFPS ill health assessment was a Tier 1, your AFPS service pension is payable at scheme deferred age point, which is age 65 for AFPS 2005 & RFPS 05, State Retirement Age for AFPS 2015, and age 65 for FTRS 75.

When your service pension income goes into payment, 75% of that income will be deductible from the GIP in payment at that time. The Pensions Team in Glasgow will notify the AFCS so that the appropriate reduction can be applied. However, if this does not occur within one month of commencement of AFPS income, you should Contact Veterans UK to ensure the level of GIP payable is re-adjusted. Further information about when to contact Veterans UK can be found on gov.uk here [Tell us about a change in circumstances](#)

Overpayment recovery will take place in line with government guidelines if a GIP has been overpaid.

### **What next?**

If after reading this fact sheet you would like to request a review of your Tier or submit an appeal, you can write to us, call us, or email us using the details provided below:

The Armed Forces Pension Scheme  
Mail Point 480  
Kentigern House  
65 Brown Street  
Glasgow  
G2 8EX  
United Kingdom

Tel: 0800 085 3600

Email: [DBS-PensionsHelp@dbspv.mod.uk](mailto:DBS-PensionsHelp@dbspv.mod.uk)